1965 ANNUAL REPORT

Burlington Route

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

983
983
BOARDS

M R K
652.0973
C 4322 R

The Board of Directors
of the
Chicago, Burlington & Quincy Railroad Company
Presents to
Harry C Murphy
This Testimonial

Resolved: That this Board express to Harry C. Murphy, on behalf of the Company and its officers, as well as each member of the Board, recognition and appreciation for his outstanding services as President of the Company since September 1, 1949.

A native of Iowa, educated at Iowa State College and Armour Institute of Technology in Chicago, he first joined the Burlington in 1914. He served on every division of the railroad as now constituted, and his intimate knowledge of the railroad's operations was invaluable to the Company during the 16 years he served as its President and Chairman of its Executive Committee. He believed firmly in a strong and efficient railroad plant, which could and does provide attractive and competitive service. Under his leadership, more than $480 million was expended in improving the physical properties of the Company, so that it could move forward in the changing transportation world of the future.

A gentleman of the utmost integrity, good humor, quiet strength, and modesty, always sensitive to the rights and interests of others, he earned, and continues to enjoy, the affection and esteem of his friends and associates throughout the railroad industry.

The members of this Board feel a keen sense of personal loss in his retirement as President of the Company, September 30 next, and are glad that he will continue as a member of the Board and as a member of the Executive and Road Committees.

John M. Budd   R. Douglas Stuart   Robert S. Macfarlane
J. C. James   Ellsworth Moser   Cris Dobbins
Wm. McAllan

Adopted September 13, 1965

HIGHLIGHTS OF OPERATIONS

MAY 1 6 1966 Co

	1965	1964	Increase or *Decrease*
Operating Revenues (Page 30)	$270,453,376	$267,379,529	$ 3,073,847
Operating Expenses (Page 30)	$221,833,005	$217,258,619	$ 4,574,386
Operating Ratio	82.02	81.25	.77
Available for Fixed Charges	$ 24,992,314	$ 28,234,348	$ *3,242,034*
Fixed Charges	$ 8,299,224	$ 7,879,006	$ 420,218
Times Fixed Charges Earned	3.01	3.58	*.57*
Total Taxes (Page 23)	$ 23,014,428	$ 21,204,576	$ 1,809,852
Net Income—ICC Basis (Page 30)	$ 16,693,090	$ 20,355,342	$ *3,662,252*
Dividends Paid	$ 12,812,902	$ 12,812,902	—
Averages per Share of Stock:			
Taxes	$ 13.47	$ 12.41	$ 1.06
Net Income—ICC Basis	$ 9.77	$ 11.91	$ *2.14*
Dividends Paid	$ 7.50	$ 7.50	—
Average Number of Employes	20,107	20,859	*752*
Total Wages	$139,527,624	$136,184,059	$ 3,343,565
Tons—Revenue Freight	56,002,116	56,643,713	*641,597*
Ton Miles—Rev. Frt. (000)	18,837,596	18,084,661	752,935
Avg. Rev. per Ton Mile—Rev. Frt.	$ .01179	$ .01211	$ *.00032*
Gross Ton Miles (000)	19,226,350	18,532,451	693,899
Train Miles—Freight	12,132,395	12,188,457	*56,062*
Gross Ton Miles per Train Mile	1,584.71	1,520.49	64.22
Avg. Miles Hauled—Rev. Frt.	336.37	319.27	17.10
Gross Ton Miles per Train Hour	75,086	75,371	*285*
Miles of Road Operated	8,545.12	8,545.54	*.42*
Passengers Carried—Revenue	10,583,141	11,107,338	*524,197*
Passenger Miles—Revenue	815,715,302	820,331,042	*4,615,740*
Avg. Distance Carried	77.08	73.85	3.23
Avg. Pass. Miles per Car Mile	21.68	21.52	.16
Train Miles—Passenger	7,923,502	8,176,562	*253,060*

The
One Hundred Twelfth
ANNUAL REPORT
# of the
Chicago, Burlington & Quincy Railroad Company

for the year ended
December 31, 1965

L. W. Menk

DIRECTORS

John M. Budd
President, Great Northern Railway Company, St. Paul, Minn.

Cris Dobbins
President, Ideal Cement Company, Denver, Colo.

J. C. James
Retired Executive Vice President and General Counsel, Chicago, Burlington & Quincy Railroad Company, Chicago, Ill.

Robert S. Macfarlane
President, Northern Pacific Railway Company, St. Paul, Minn.

W. W. McCallum
President, John Morrell & Company, Chicago, Ill.

L. W. Menk,
President, Chicago, Burlington & Quincy Railroad Company, Chicago, Illinois

H. C. Murphy
Retired President, Chicago, Burlington & Quincy Railroad Company, Chicago, Ill.

R. Douglas Stuart
Director, The Quaker Oats Company, Chicago, Ill.

EXECUTIVE COMMITTEE

L. W. Menk, *Chairman*
John M. Budd
J. C. James
Robert S. Macfarlane
W. W. McCallum
H. C. Murphy
R. Douglas Stuart

OFFICERS

L. W. Menk, *President*
Eldon Martin, *Vice President and General Counsel*
Guy R. Glover, *Vice President—Traffic Department*
W. K. Bush, *Vice President, Executive Department*
W. N. Ernzen, *Vice President and Comptroller*
I. C. Ethington, *Vice President—Operating Department*
L. N. Assell, *Secretary and Treasurer*
R. W. Smith, *Assistant Secretary and Assistant Treasurer*
John E. Adams
E. V. Fink
Fiscal Agents, 40 Wall St., New York
Gerard Montgomery
Martin H. Weber
Transfer Agents, 40 Wall St., New York

THE ABOVE WERE DIRECTORS AND OFFICERS AS OF DECEMBER 31, 1965

Principal Office—Burlington Building

547 W. Jackson Blvd., Chicago, Ill. 60606

A SUPPLEMENTARY REPORT CONTAINING ADDITIONAL OPERATING AND FINANCIAL STATISTICS MAY BE OBTAINED UPON REQUEST TO THE SECRETARY OF THE COMPANY AT 547 WEST JACKSON BOULEVARD, CHICAGO, ILLINOIS.

REPORT

for the year ended December 31, 1965

Although gross revenues increased in 1965 from 1964, net income decreased due primarily to flood losses and increases in wages.

Net income was $16,693,090, a decrease of $3,662,252, or 17.99 per cent under 1964.

Operating revenues were $270,453,376, an increase of $3,073,847, or 1.15 per cent over those of 1964.

Operating expenses were $221,833,005, an increase of $4,574,386, or 2.11 per cent above those of 1964.

Railway taxes recorded in income account increased to $23,014,428, an increase of $1,809,852, or 8.54 per cent over 1964.

During 1965, the Company improved its property by gross expenditures for equipment and roadway aggregating $44,609,608 chargeable to capital. These expenditures during the past ten years amount to $308,874,388.

GROSS CAPITAL EXPENDITURES

Years 1956-1965 Inclusive

	Road and General	Equipment	Total
1956	$16,466,228	$ 14,871,156	$ 31,337,384
1957	23,942,890	22,474,055	46,416,945
1958	8,232,334	21,196,344	29,428,678
1959	9,078,179	18,281,592	27,359,771
1960	13,610,304	13,357,357	26,967,661
1961	2,980,270	17,677,201	20,657,471
1962	3,152,456	15,973,121	19,125,577
1963	3,493,326	27,097,797	30,591,123
1964	4,810,561	27,569,609	32,380,170
1965	4,975,627	39,633,981	44,609,608
Total	$90,742,175	$218,132,213	$308,874,388

FREIGHT TRAFFIC

Freight revenue increased again in 1965 despite continuing car shortages that diverted some grain traffic to trucks and barges, and despite dislocation of traffic caused by the most severe flood in the history of the Mississippi River valley.

An intensified program of freight car procurement should provide a measure of relief from car shortages in 1966 and contributes to our optimism for the future.

Adjusted freight revenue for 1965 was $222,078,949 compared with $219,037,355 in 1964, an increase of 1.39 per cent.

Carloads of revenue freight handled in 1965 totaled 1,368,631, a decrease of 42,037 or 2.97 per cent under 1964.

Revenue tons carried in 1965 were 56,002,116, a decrease of 641,597 or 1.13 per cent. Freight train miles decreased 0.46 per cent.

The average revenue per ton mile decreased from 1.211 cents in 1964 to 1.179 cents in 1965 or 2.64 per cent.

Average load per freight car was 40.92 tons as compared with 40.09 tons in 1964, an increase of 2.07 per cent.

Behind husky diesel units, fast freight CGI pulls onto main line from Cicero yard, on Chicago's western limits.

OUR 1965 INCOME DOLLAR

WHERE IT CAME FROM:

Freight Revenue (including switching) **82.1¢**

Passenger Revenue **7.6**

Mail Revenue **4.9**

Express Revenue **1.3**

All Other **4.1**

WHERE IT WENT:

*Payrolls **51.8¢** (including payroll taxes **56.2¢**)

Materials and Supplies **12.6**

Depreciation and Retirements **7.9**

Other Operating Expenses and Income Charges **8.2**

Net Joint Facility and Equipment Rents **1.9**

Interest and Other Fixed Charges **3.0**

Dividends **4.7**

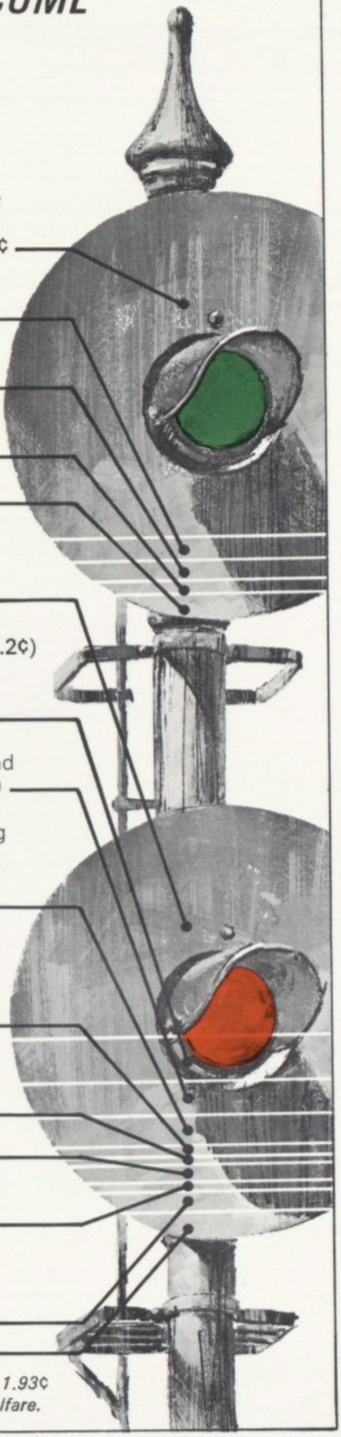
Retained in the Business **1.4**

TAXES

Other than Payroll **4.1**

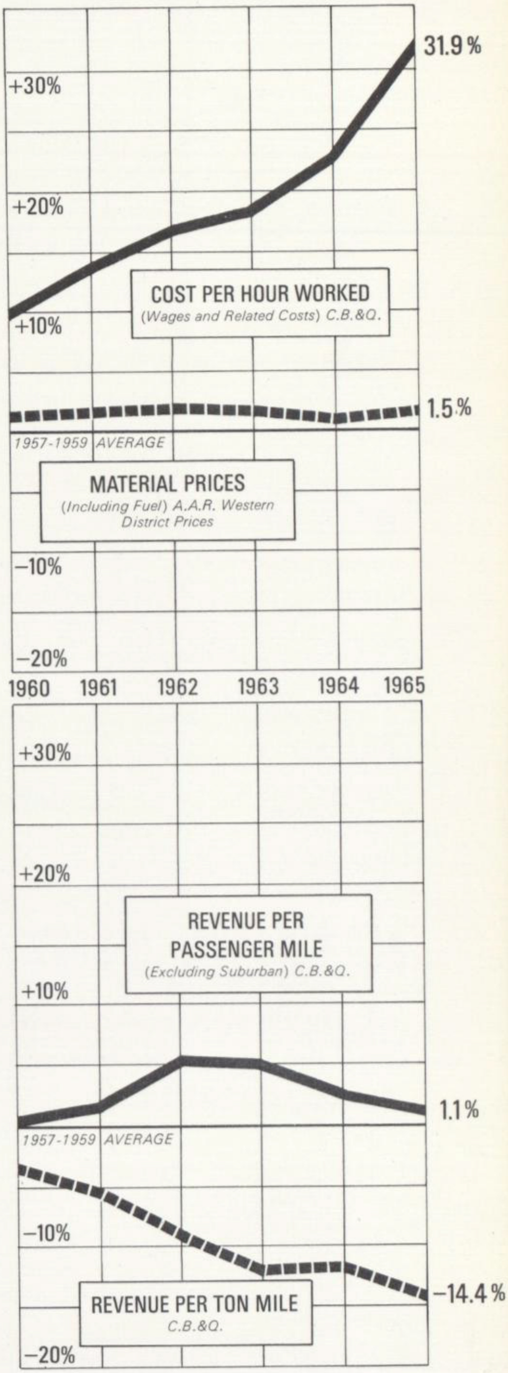
Payroll **4.4**

**Payrolls include 1.93¢ for Health & Welfare.*



TREND OF WAGE COSTS, MATERIAL PRICES & REVENUES

in Per Cent of Increase or Decrease from 1957-59 Average



FREIGHT RATES

Emphasis continues to be placed on the making of competitive yet profitable rates.

Major reductions were made in rates on Nebraska feed grains to Colorado and western Nebraska points. These have recovered substantial corn and sorghum grain traffic which recently moved almost entirely by truck. Late in 1964, a reduction in grain rates from points west of the Missouri River to markets on the Missouri River and to Gulf ports for export produced almost the same tonnage in 1965 as in 1964 despite a poor wheat crop in Nebraska and Colorado. The percentage of wheat moving by rail to Missouri River points increased substantially in 1965.

An agreement with Iowa Southern Utilities Company for a volume rate on coal from Fulton County, Ill. fields to a power plant being constructed south of Burlington, Iowa, will result in a movement of 400,000 to 600,000 tons annually, beginning late in 1967 or early in 1968.

Efforts continue to bring charges for switching and other accessorial services to a compensatory level. Switching charges were increased 10 per cent in August.

Adjustments were made in trailer-on-flat-car rates for meat, packinghouse products and other commodities to meet truck competition and increase volume. This was especially true of rates under which shipper and receiver perform terminal service at origin, destination or both.

The Trans-Continental Divisions Case was settled, and should yield the CB&Q increased annual revenues of nearly 1½ million dollars. Settlement of the Official-Western Trunk Line Divisions Case also has been reached, but is expected to cost the CB&Q more than $800,000 annually.

AGRICULTURAL REPORT

Early summer rains supplied ample moisture for late-harvested dryland crops and minimized the need for irrigation in Lines West. Hail damage was quite extensive in the North Platte Valley. Tonnage of major crops increased 15% over drouthy 1964 and 6% over the 1959-63 average.

Winter wheat production totaled 560 million bushels, up 4% from 1964 but 1% less than the 1959-63 average. However, most of the increases took place in states where Burlington has limited mileage, e.g. Kansas, Texas, and Montana, whereas production in the key states of Nebraska, Colorado and Wyoming was only 74% of 1964. Because of poor quality of the 1965 wheat crop, ample storage, low price and increased use locally as livestock feed, rail shipments were down. Barley production was 3% above the 1964 crop but only 83% of the 1959-63 average. Oats production increased 13% but was down 9% from the 1959-63 average. Corn production in 12 Burlington states totaled nearly 2.8 billion bushels, up 12% from 1964 and 6% above the 1959-63 average. Sorghum grains production of 590 million bushels was up 38% and 21% respectively; soybeans 17% and 33%; potato production 20% and 3%; and dry edible beans 12%, but was down 7% from the 1959-63 average.

The sugar beet crop was a disappointment. Production of 4.4 million tons was 27% less than last year and 20% below the 1959-63 crop. Sugar content of the beets, however, was better than that of the larger 1964 crop.

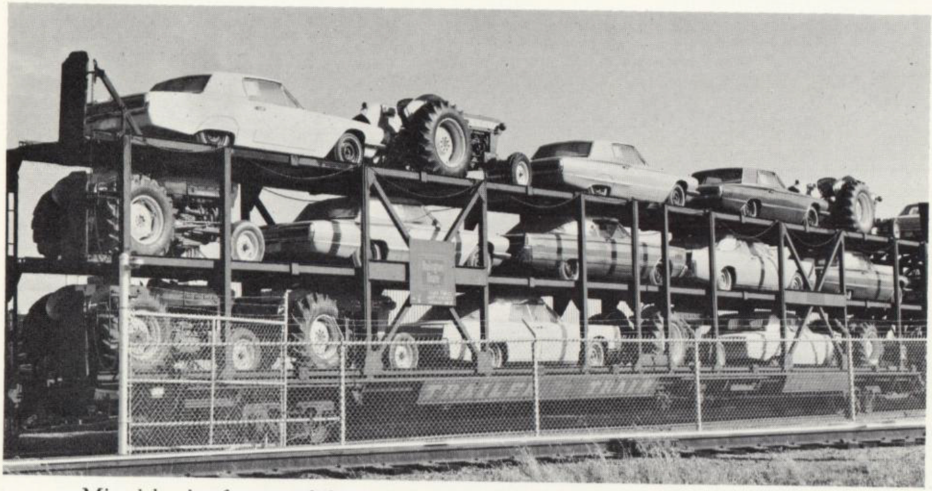
Livestock did well, but swine numbers declined. So did the production of finished cattle, resulting in higher market prices than for several years. Some production increases in both of these categories during 1966 appear likely. Hay production increased 9% over 1964 and 12% over the 1959-63 average. Existing supplies appear to be ample for normal feeding needs.

Outlook for 1966

At the present time the outlook for 1966 wheat production is promising. Abundant soil moisture to stimulate germination, good growing weather last fall and precipitation in December contributed to favorable prospects for 1966. Despite a 7% decrease in acreage, the USDA forecasts a 10% increase over 1965 in Burlington states, 8% above the 1960-64 average. Early indications are that supplies of irrigation water will be adequate in most districts which augurs well for sugar beets, potatoes and other irrigated crops during the coming year. With the exception of wheat, grain in storage in all positions in states served by the Burlington increased as of January 1, 1966, compared to January 1, 1965. Corn storage increased 8.64%, grain sorghums 4.85%. In Nebraska, increase in sorghum grains in storage was approximately 26,000,000 bu. Stored soybeans increased approximately 14%. Wheat storage declined 14%, with unusually heavy decreases in Nebraska and Kansas more than offsetting a 9,000,000 bu. increase in Montana.

MULTI-LEVEL TRAFFIC

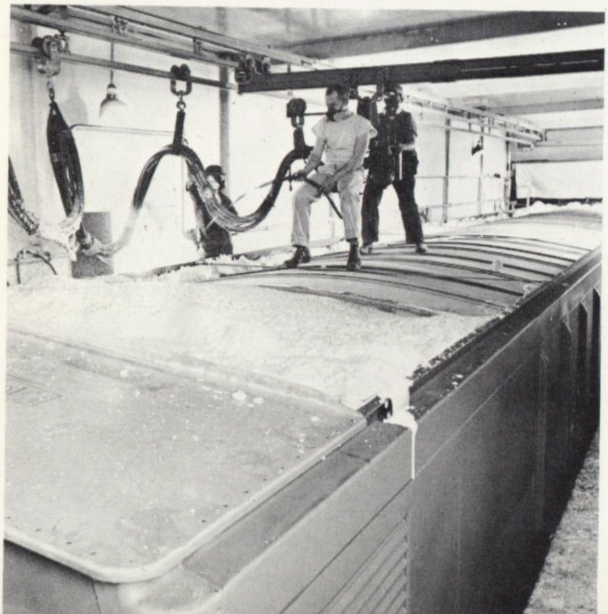
Automobile, truck and tractor traffic handled on multi-level equipment was 6,061 carloads, compared to 5,560 in 1964.



Mixed loads of automobiles and farm machinery enable dealers to meet sales needs at reduced inventory cost.

PERISHABLE TRAFFIC

The largest mechanical refrigerator car in the world, capable of handling 80 tons, was built by Burlington during the year. Tests and studies are being conducted to develop greatly improved insulated box cars capable of handling larger shipments with a minimum of protective service. New meat-packing plants at Grand Island, Minden and York, Nebraska, and Brush, Colorado became operative during 1965. Similar plants are under construction at four additional locations on the railroad.



Further advancements were made in technology of foam-in-place insulation methods employed at Havelock shops. Polyurethane foam, which completely encapsulates car body, has proved to be twice as efficient as insulation used previously.

INDUSTRIAL

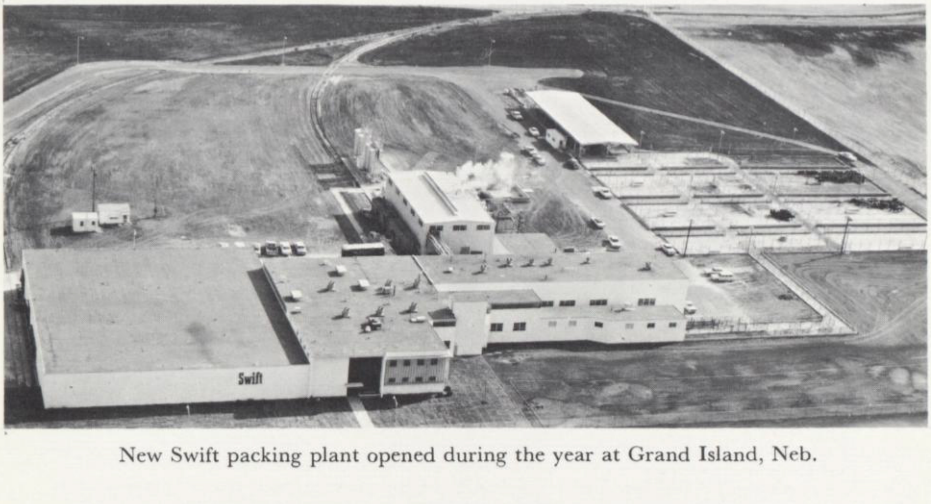
Industrial development continued at a brisk pace during 1965, with 797 new industrial leases issued for land owned by the Railroad. Many were to accommodate small facilities for the distribution of fertilizers and other farm-consumed chemicals.

Thirteen industries purchased Burlington-owned land on which to erect new plants. Forty-two new industrial tracks or track extensions were built, four temporary contractors' tracks were installed and three were approved for an additional year's use.

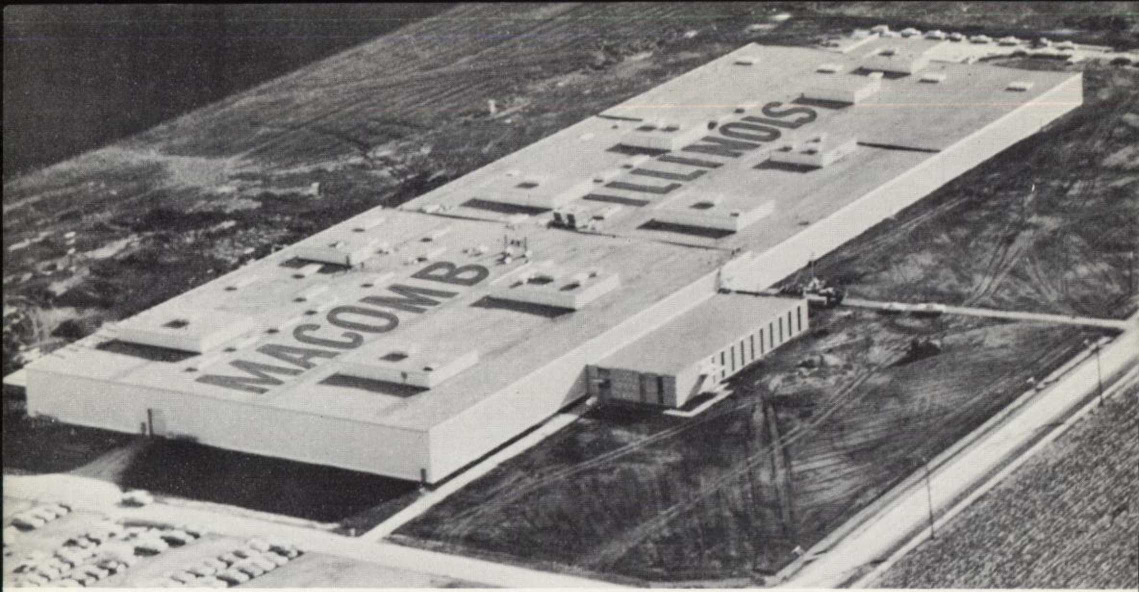
One hundred and thirty-seven acres of land for industrial use were acquired at Lincoln, and 40 acres at York, Nebraska. Additional lead trackage was constructed in railroad industrial districts at North Kansas City, (Mo.), Denver, (Colo.), Council Bluffs, (Ia.), and Beardstown and Aurora, (Ill.). Roads, water and sewer lines were built in our North Kansas City industrial district.

New mine No. 24 of Old Ben Coal Corporation, located near Benton, Illinois, became operational in 1965. Daily production potential is 15,000 tons, and the mine has sufficient reserve to meet a twenty-year contract commitment with Union Electric Company.

One hundred and forty aluminum coal cars completed at the company's Havelock shops were assigned to mine No. 24 for coal transport to a large electric generating station at Chiles, Kentucky. Experience gained by the Railroad and Old Ben Coal Co., in operating the new aluminum cars will prove valuable when they are assigned to unit train service to Union Electric Company's new plant at Machens, Missouri. First unit of the plant is expected to go into operation sometime next fall, with stockpiling of coal to begin in early summer.

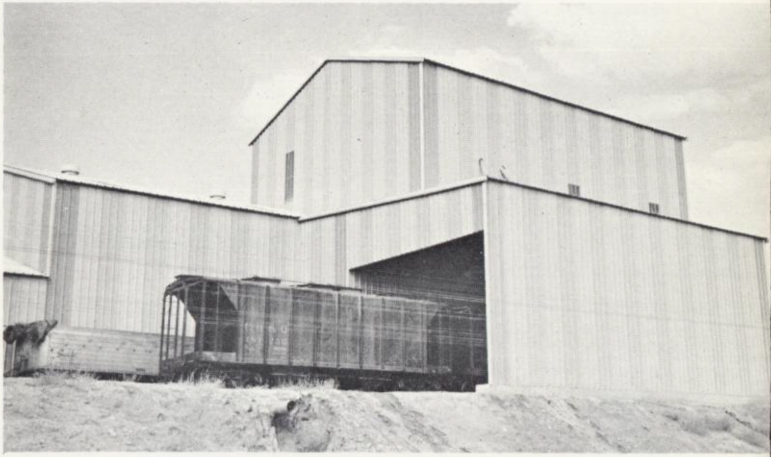


New Swift packing plant opened during the year at Grand Island, Neb.



One of the numerous plants to locate along the railroad in 1965 was this one of the Bower Roller Bearing Division of Federal-Mogul Corporation, Macomb, Ill.

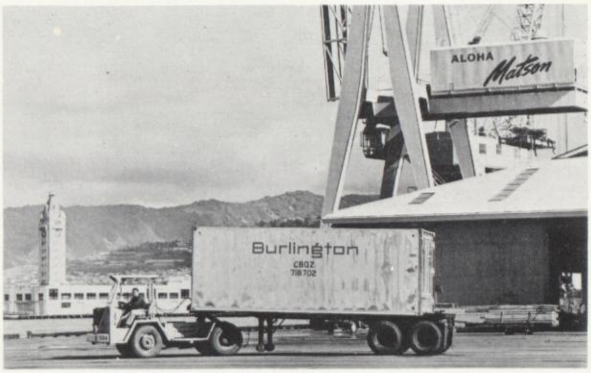
Large traffic producer in 1965 was new plant of Black Hills Bentonite Co., located at Casper, Wyoming.



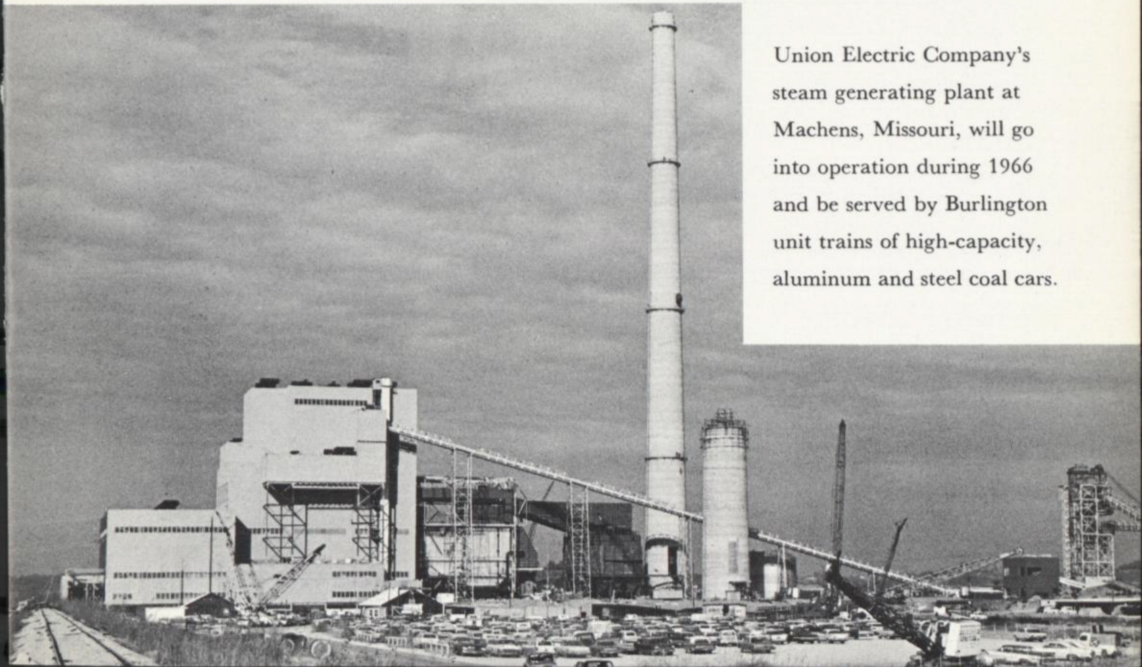
Aerial view of Colorado Boulevard Industrial District, Denver.

Partial view of operations in Missouri Beef Packers' new 76,800-square feet plant at Phelps City, Missouri, shows use of latest meat production methods. After skinning, dressing and cooling, carcasses are loaded into refrigerated piggyback trailers or rail cars and sped to market.

Insulated container is unloaded from ship at Honolulu after trip from Chicago. Unique rail-water service has generated more than 2,000 loads, promises increased volume.



Union Electric Company's steam generating plant at Machens, Missouri, will go into operation during 1966 and be served by Burlington unit trains of high-capacity, aluminum and steel coal cars.



Burlington
954

Speedy CD freight, enroute from Chicago to Denver, passes modern Caterpillar plant west of Aurora, Ill. One of many modern plants along the railroad, Caterpillar doubled its production capacity here during the year.

FREIGHT CAR SHORTAGE

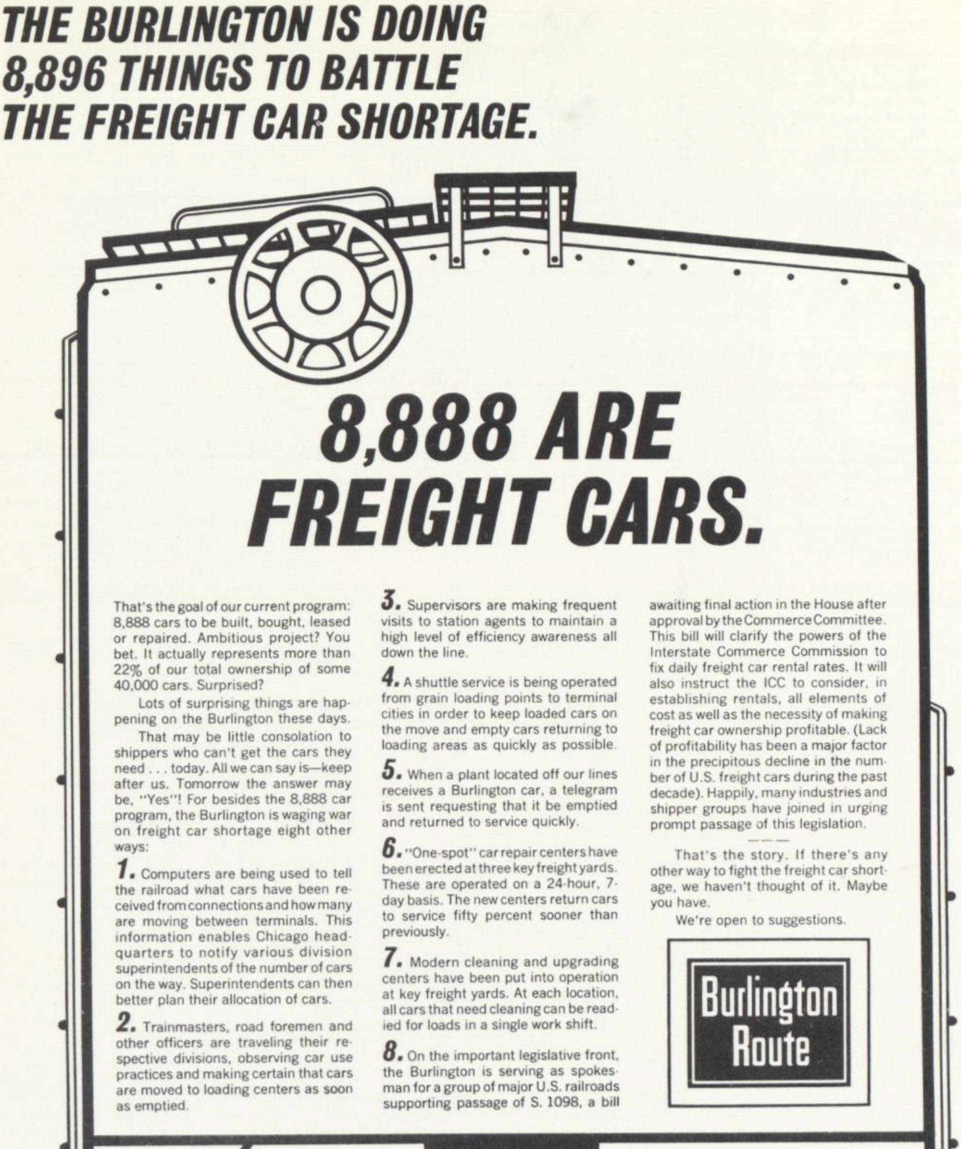
Despite the fact that Burlington's freight car ownership has always been high, its bad order ratio low, and that it currently has underway one of the largest car acquisition programs in its history, the railroad continues to suffer from severe and continuing car shortages.

Your management feels there are several reasons for such shortages which are not within the scope of its control, two of the most important of which are:

(*1*) *Failure of the industry to adopt a modern approach to the problem of national car distribution; and*

(*2*) *Failure by Congress to pass legislation to stimulate car acquisition by all railroads. Burlington favors enactment of S. 1098, a bill which has been recommended by the Interstate and Foreign Commerce Committee of the House.*

During 1966, Burlington hopes to provide leadership in the effort to improve freight car utilization by encouraging the development of a sophisticated system for efficient national car distribution.



THE BURLINGTON IS DOING 8,896 THINGS TO BATTLE THE FREIGHT CAR SHORTAGE.

8,888 ARE FREIGHT CARS.

That's the goal of our current program: 8,888 cars to be built, bought, leased or repaired. Ambitious project? You bet. It actually represents more than 22% of our total ownership of some 40,000 cars. Surprised?

Lots of surprising things are happening on the Burlington these days.

That may be little consolation to shippers who can't get the cars they need . . . today. All we can say is—keep after us. Tomorrow the answer may be, "Yes"! For besides the 8,888 car program, the Burlington is waging war on freight car shortage eight other ways:

1. Computers are being used to tell the railroad what cars have been received from connections and how many are moving between terminals. This information enables Chicago headquarters to notify various division superintendents of the number of cars on the way. Superintendents can then better plan their allocation of cars.

2. Trainmasters, road foremen and other officers are traveling their respective divisions, observing car use practices and making certain that cars are moved to loading centers as soon as emptied.

3. Supervisors are making frequent visits to station agents to maintain a high level of efficiency awareness all down the line.

4. A shuttle service is being operated from grain loading points to terminal cities in order to keep loaded cars on the move and empty cars returning to loading areas as quickly as possible.

5. When a plant located off our lines receives a Burlington car, a telegram is sent requesting that it be emptied and returned to service quickly.

6. "One-spot" car repair centers have been erected at three key freight yards. These are operated on a 24-hour, 7-day basis. The new centers return cars to service fifty percent sooner than previously.

7. Modern cleaning and upgrading centers have been put into operation at key freight yards. At each location, all cars that need cleaning can be readied for loads in a single work shift.

8. On the important legislative front, the Burlington is serving as spokesman for a group of major U.S. railroads supporting passage of S. 1098, a bill awaiting final action in the House after approval by the Commerce Committee. This bill will clarify the powers of the Interstate Commerce Commission to fix daily freight car rental rates. It will also instruct the ICC to consider, in establishing rentals, all elements of cost as well as the necessity of making freight car ownership profitable. (Lack of profitability has been a major factor in the precipitous decline in the number of U.S. freight cars during the past decade). Happily, many industries and shipper groups have joined in urging prompt passage of this legislation.

———

That's the story. If there's any other way to fight the freight car shortage, we haven't thought of it. Maybe you have.

We're open to suggestions.

Burlington
Route

Burlington has for years conscientiously expanded and maintained its car fleet. But because of geographical location and the fact it loads more cars than it terminates, car shortages have become a major problem. To tell shippers and the business community of its intensified 1965-66 car program and other positive actions taken to combat car shortages, Burlington in early 1966 inserted this advertisement in selected newspapers and magazines.

PASSENGER TRAFFIC

Total passenger revenue was $20,781,498, a decrease of $15,094, or 0.07 per cent, under 1964. Eliminating suburban revenues in the Chicago-Aurora territory, the decrease was $234,641, or 1.45 per cent. Suburban revenues were $4,778,167, an increase of $219,547, or 4.82 per cent.

Passenger train miles decreased 253,060, or 3.09 per cent. Passenger car miles decreased 2.84 per cent.

Number of passengers carried decreased 4.72 per cent, and passenger miles decreased 0.56 per cent. Excluding suburban traffic, the number of revenue passengers decreased 3.91 per cent, while passenger miles increased 0.17 per cent.

Average revenue per passenger mile was 2.548 cents, compared to 2.535 cents in 1964.

PASSENGER FARES

Chicago-Aurora suburban district fares were increased approximately ten per cent on January 1, 1965.

MAIL

Mail revenue was $13,547,200, a decrease of $57,058, or 0.42 per cent.

EXPRESS

Express income was $3,473,687, a decrease of $186,427, or 5.09 per cent.

UNPROFITABLE PASSENGER TRAIN SERVICE

Application was filed with the Interstate Commerce Commission to discontinue Trains 31 and 32 between Alliance, Nebraska and Casper, Wyoming effective October 31, 1965. The I.C.C. suspended the discontinuance and held hearings at Scottsbluff, Nebraska and Casper, Wyoming during December 1965. A favorable decision was received and the trains were discontinued February 28, 1966.

An exhaustive, in-depth study of the profitability of passenger service is now under way.

SUBURBAN EQUIPMENT

Thirty-four additional stainless steel, air-conditioned, double deck suburban passenger cars, six with cab controls for push-pull operation, were acquired and placed in service, permitting retirement of fifty-nine older, single deck cars.

Chicago suburban service was completely equipped with stainless steel gallery cars during 1965, except for one single deck, power generating car per train. 34 new cars received during the year cost $7.7 million.

PROMOTION-STIMULATED TRAFFIC

A system-wide program for creating passenger traffic was continued. Student educational and off-season Colorado tours, Mississippi River scenic excursions, rail fan steam trains, baseball and football specials, and other special trains and tours were again operated.

Fashion shows, inaugurated aboard Zephyr trains in 1965, proved popular with passengers.

OPERATIONS

Total operating expenses increased $4,574,386 or 2.11 per cent over last year, of which $3,482,362 was for flood damages, with an increase of $3,073,847 or 1.15 per cent in total operating revenue.

Maintenance of Way and Structures expenses, excluding depreciation and retirements, decreased $224,850 or 0.71 per cent. Some of the more important maintenance items performed during the year were:

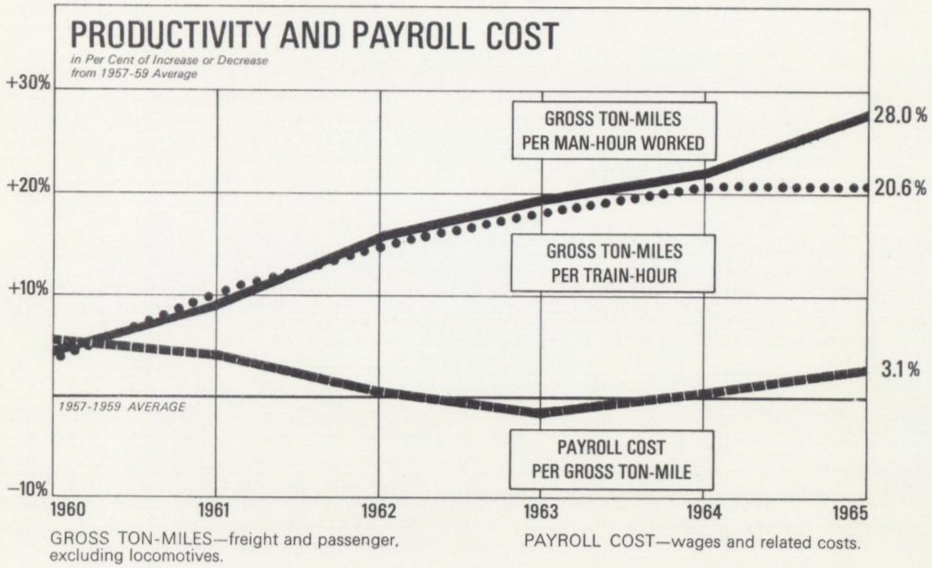
26.24	miles of track relaid with new 136-pound continuous welded rail.
31.01	miles of track relaid with second-hand rail.
211,364	new creosoted cross ties placed in track.
374,425	cubic yards of ballast applied.

Maintenance of Equipment expenses, excluding depreciation and retirements, increased $426,185 or 1.24 per cent.

Transportation expenses increased $3,031,500 or 2.80 per cent. Freight train miles decreased 56,062 or 0.46 per cent. Passenger train miles decreased 253,060 or 3.09 per cent.

CAPITAL EXPENDITURES IN 1965

	Gross	Retirements	Net
Road	$ 4,637,075	$ 1,812,729	$ 2,824,346
Equipment	39,633,981	12,924,195	26,709,786
General	—	—	—
Construction work in progress	320,879	—	320,879
Other	17,673	—	17,673
Total	$44,609,608	$14,736,924	$29,872,684



GROSS TON-MILES—freight and passenger, excluding locomotives.

PAYROLL COST—wages and related costs.

The worst Mississippi River floods in history extensively damaged our lines during April of 1965. Floods and mud slides occurred until July in Colorado, Nebraska, Missouri and Iowa.

IMPROVEMENTS

ROAD

Major Improvements Completed During the Year 1965

Constructed trackage to Old Ben Coal Corporation Mine 24 at Benton, Illinois, opened to provide coal for a new power plant at Machens, Mo.

Constructed one-spot car repair center at Galesburg, Illinois, to facilitate freight car repairs.

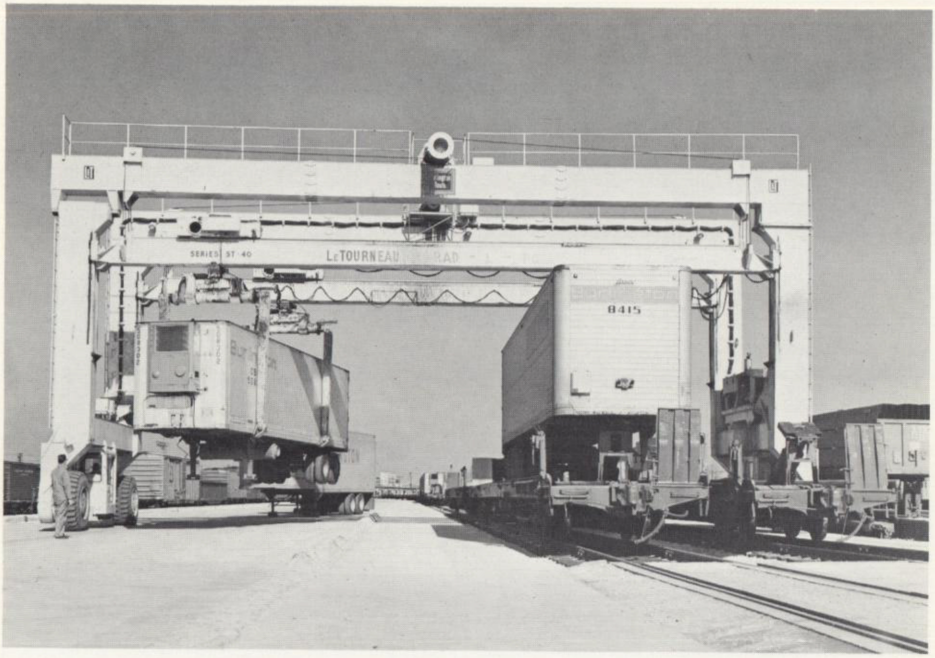
Relocated trackage in connection with U.S. Government's Yellowtail Dam and Reservoir Flood Control Project, near Kane, Wyoming.

Constructed car cleaning facility, including trackage and water and air lines, Lincoln, Nebraska.

Rearranged and constructed trackage, steam, air and sanitary sewer lines to accommodate new REA Express terminal at Taylor Street Yard, Chicago, Illinois.

Relocated trackage and constructed new station in connection with Carlyle Dam and Reservoir Flood Control Project on the Kaskaskia River, near Keyesport, Illinois.

Remodeled and enlarged Burlington Express Terminal building, Chicago, Illinois, to accommodate Crooks Terminal Warehouse, Inc.



Improvements at Cicero TOFC facilities included a 171,400-pound gantry crane, (Strad-L-Port) that unloads trailers with pin-point accuracy, positions them at 15-degree angle for easy access by truck tractors. Crane is the largest, fastest and most modern yet built for piggyback trailers.

Major Improvements In Progress

Rearrangement of trackage and construction of a double-end T.O.F.C. ramp at Peoria, Illinois. It is estimated this new facility will reduce switching time and eliminate the present need to turn wrong-end loads.

Construction of a new passenger station and rearrangement of main and yard trackage at Western Avenue Yards, Chicago.

Expansion and rearrangement of T.O.F.C. facilities, and construction of additional trackage at Ogden Avenue Yard, Chicago. Expansion of present facilities will contribute toward more efficient handling of increasing trailer traffic in a presently congested location.

Construction of line jointly with the Norfolk and Western Ry. in connection with U.S. Government Red Rock Dam and Reservoir Flood Control Project on Des Moines River near Des Moines, Iowa.

Rearrangement of power plant facilities at Cicero, Illinois, to permit construction of modern T.O.F.C. facilities to handle trailer traffic.

Extension of present passenger subway under two main tracks at Aurora Ill., to provide safe access to new parking lot.

EQUIPMENT PLACED IN SERVICE

Built in Company Shops

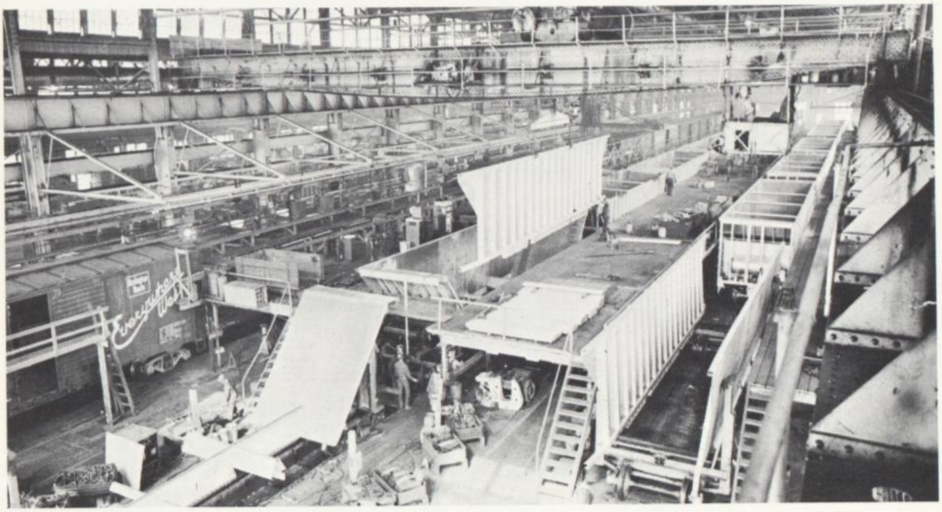
100 box cars—50′6″ 100-ton all steel "DF".
195 box cars—60′ 100-ton insulated with load dividers.
100 box cars—50′1″ 70-ton insulated with load dividers.
200 flat cars—60′ 70-ton all steel with tie downs.
100 gondolas—52′6″ 100-ton mill type with removable roofs.
139 hopper cars—46′ 100-ton automatic dump aluminum open top.
1 combination stock container & flat car prototype.

Purchased

10 box cars—86′ 70-ton all steel single sheath specially equipped.
35 box cars—60′8½″ 70-ton all steel single sheath "DF".
70 box cars—60′8″ 100-ton all steel single sheath "DF".
20 box cars—60′10″ 100-ton all steel single sheath.
10 box cars—60′10″ 70-ton all steel single sheath.
2 box cars—60′100-ton all steel single sheath specially equipped.
8 box cars—50′1″ 100-ton insulated with load dividers.
259 covered hopper cars—46′ 100-ton 4500 cu. ft., all steel.
50 covered hopper cars—29′6″ 70-ton 2600 cu. ft., all steel airslide.
3 covered hopper cars—48′11″ 100-ton 4180 cu. ft., all steel airslide.
50 tank cars—25,000 gallon capacity steel.
28 gallery cars—stainless steel.
6 gallery cars—stainless steel cab control.
2 slumber coaches—secondhand stainless steel.
12 switch engines—1200 HP.
72 containers—24′ insulated.
14 chassis for 24′ containers.

Leased

12 locomotives—U25C 2500 HP road freight.



Efficient Havelock shops at Lincoln, Nebraska, completed 140 steel and aluminum hopper cars for unit train coal service to begin in mid-1966. Cars carry about 106 tons, have air-operated, quick-dumping hopper doors.

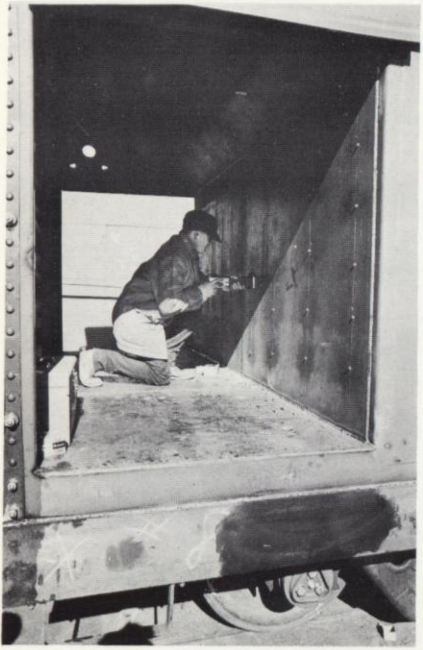
EQUIPMENT ACQUISITIONS PLANNED

To be built in company shops in 1966

400 box cars—50′6″ 70-ton single sheath.
400 box cars—50′6″ 70-ton single sheath "DF".
50 box cars—60′ 100-ton single sheath.
50 box cars—60′ 100-ton single sheath "DF".
100 box cars—50′6″ 70-ton insulated.
200 flat cars—60′ 70-ton.
100 flat cars—53′6″ 70-ton bulkhead.
100 gondola cars—52′6″ 100-ton mill type.
200 refrigerator cars—60′ 100-ton mechanical.

To Be Purchased in 1966

3 box cars—86′6″ 70-ton specially equipped.
200 hopper cars—47′11½″ 100-ton open top.
500 hopper cars—53′ 100-ton covered.
400 hopper cars—38′ 100-ton 3200 cu. ft., covered.
50 hopper cars—48′11″ 100-ton 4180 cu. ft., airslide covered.
12 locomotives—1000 HP switch.
16 locomotives—U28C 2800 HP road freight.
28 containers—24′ insulated.
1 chassis for 24′ containers.



Latest construction methods at Havelock shops speed production. Ramset gun, operated by worker, uses cartridge to fire nails through steel plate and into wood backing.

Use of such modern tools as Huck bolt gun, shown in use on one of new aluminum and steel cars, enable Havelock shops to produce stronger cars in less time.

SIGNALING

Major Items Installed 1965

Centralized Traffic Control from Bristol to Mendota, Ill., which is controlled from Cicero, Illinois.

Centralized Traffic Control from East Winona to Winona Junction, retiring second main track. Moved Centralized Traffic Control machine from East Winona to North LaCrosse to control territory from East Winona to Winona Junction.

Converted C&NW crossing control at Rochelle, Ill. from manual to automatic operation.

Installed switches and signals at St. Joseph and Armour, Missouri, controlled from St. Joseph, for operation of Missouri Pacific trains.

Retired one siding and extended another in Centralized Traffic Control territory, McCook Division.

Installed hot box detectors on both main tracks near Sandwich, Mendota and Wyanet, Ill. Dragging equipment detectors placed at two locations on Galesburg Division.

Placed automatic highway crossing signals at 22 crossings.

Major Items Scheduled For 1966

Extend Centralized Traffic Control from Mendota to Galesburg, Ill., including interlockings at Galva, Wataga and Bishop, Illinois.

Extend Centralized Traffic Control from West Eola to Aurora, Ill., with interlocking at West Eola, Illinois.

Rearrange signals from Galesburg (Waterman) to Ewbanks, Illinois and Palmyra to Macon, Missouri to provide increased braking distance for operation of freight trains at higher speeds.

Install three power controlled switches and signals, to be controlled from Cicero, and retire mechanical interlocking at Savanna, Ill.

Relocate control of Aurora-Savanna Centralized Traffic Control from Aurora to Cicero, Ill., utilizing new Traffic Control Center machine.

Install automatic highway crossing signal protection on 35 crossings at various locations.

COMMUNICATIONS

Progress In 1965

Teleprinter service was provided to Clinton, Ia., Sterling, Wedron, Ottawa and Streator, Ill.

A communication console and talkback facilities to yard locations were provided the yardmaster at Lincoln, Neb.

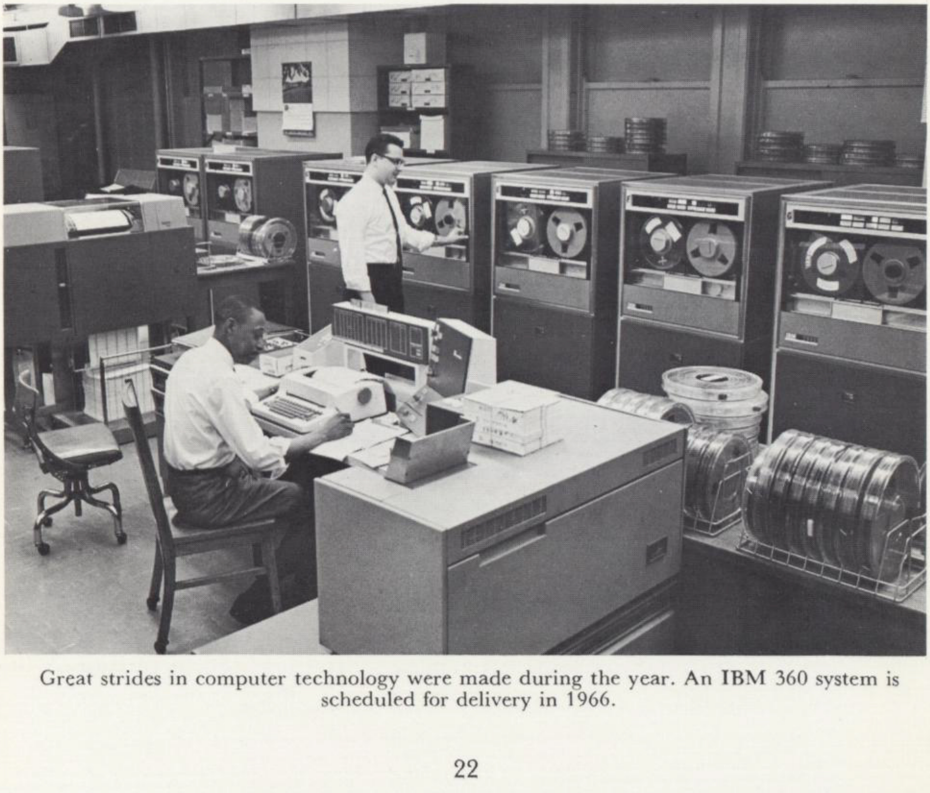
Direct dial telephone service between Chicago and St. Paul was established with 12 carrier channels.

Communications were provided to enable the transfer of dispatchers from Aurora to Cicero, Ill.

Dispatcher-controlled wayside radios were installed at nine locations between Quincy, Ill., and Kansas City, Mo., and at three locations in the Beardstown, Ill., area.

Local, controlled-base station radios were installed at East St. Louis, Ill., Winona, Minn. and Laurel, Mont.

Two-way radios placed in 51 locomotives, two superintendent's automobiles and six suburban, push-pull, control cabs.



Great strides in computer technology were made during the year. An IBM 360 system is scheduled for delivery in 1966.

GENERAL

DEBT

During 1965, capital liabilities of the Company increased $12,481,020.

	Increase	Decrease	Net
Funded Debt	$ —	$ 1,374,000	$ 1,374,000 Decrease
Equipment Obligations	28,843,748	14,988,728	13,855,020 Increase
Total	$28,843,748	$16,362,728	$12,481,020 Increase

DIVIDENDS

Dividends totaling $7.50 per share were paid in 1965, the ONE HUNDRED AND FOURTH CONSECUTIVE YEAR in which the Company has paid a dividend.

TAXES

Taxes in 1965 increased $1,809,852 compared with 1964:

Federal Income Taxes	$ 1,342,620	$ 800,653 Decrease
Federal Railroad Retirement Taxes	8,225,293	585,714 Increase
Federal Unemployment Taxes	3,767,296	81,570 Decrease
State and Miscellaneous Taxes	9,679,219	2,106,361 Increase
Total Taxes	$23,014,428	$1,809,852 Increase

Net income for the year, stated in accordance with I.C.C. accounting principles, was increased $6,793,604 by the net of the reduction in Federal income taxes resulting from the use of guideline lives with accelerated methods of depreciation and the increase in Federal income taxes because of accelerated amortization completed in prior years.

As of December 31, 1965, the total net deferrals of Federal income taxes due to deductions for depreciation and amortization allowed for tax purposes in excess of depreciation accrued in the accounts, is estimated to be $67,500,000 based on current tax rates. This deferral of Federal income taxes may result in higher income taxes in future years, the timing of which cannot be determined.

Federal income taxes for the year were reduced by $225,000 ($757,000 in 1964) due to investment tax credit. As of December 31, 1965, investment tax credits of approximately $5,517,000 are available for carry-forward to future years.

Refunds of Illinois State property taxes were $711,680 during 1965. Substantial additional refunds are expected in 1966. Total refund settlements to December 31, 1965 aggregated $8,053,680.

LABOR

An agreement was negotiated during 1965 with the three shop craft unions (electricians, machinists and sheet metal workers) who did not participate in the 1964 non-op wage settlement, to provide for one additional paid holiday, a fourth week's vacation and additional carrier contributions for health and welfare benefits. The agreement also provides for a wage increase of 9¢ an hour effective January 1, 1964, and increases of 4% and 3½% effective January 1, 1965, and January 1, 1966, respectively, for mechanics. Helpers and apprentices were granted increases of 9¢ and 6¢ per hour, respectively, for each of the years 1964, 1965 and 1966.

Agreements with the other non-operating unions provided for an across-the-board increase of 9¢ per hour for 1964, 1965 and 1966, plus an additional 2¢ an hour for health and welfare benefits effective January 1, 1966.

An agreement was negotiated with five non-operating unions in February 1965, four of which hold contracts on the CB&Q representing clerks, telegraphers, signalmen and maintenance of way employes, in disposition of a job stabilization demand. The agreement provides that employes who were employed prior to October 1, 1962, and meet certain qualifying requirements, are guaranteed earnings and must be retained in service subject to natural attrition, with a limitation of 6% per annum. Reduction in force of employes so protected may be made only in case of emergency conditions, such as floods, strikes, etc., and in the event of a decline in business of more than 5%.

The agreement also recognizes the rights of the Carrier to make technological, operational and organizational changes. In consideration of the protective benefits provided the employes, the Carrier has the right to transfer work and/or employes throughout the system when such does not require the crossing of craft lines. Implementing agreements must be negotiated where employes are transferred across existing seniority lines. A number of such agreements have been negotiated.

HARRY C. MURPHY

September 30, 1965, Harry C. Murphy retired as president, closing a fifty-one year career with Burlington Lines. He became president September 1, 1949, succeeding Ralph Budd, and piloted the railroad through one and one-half decades during which the industry made tremendous strides in technology. Under Mr. Murphy's stewardship, the Burlington invested some $450 million to remain one of the nation's strongest, most progressive carriers. The tribute presented him by the board of directors is reproduced in color on the inside of the front cover of this report.

EMPLOYE BENEFITS

The Railroad paid Federal taxes of $8,225,293 for retirement and survivor benefits under the Railroad Retirement Act, and employes paid a like amount. Similar taxes in 1964 were $7,639,579, an increase in 1965 of $585,714, or 7.67%. This resulted from the tax rate being increased from 7.25% to 8.125% effective January 1, 1965. The tax rate was reduced to 7.125% for the last three months of 1965, however, was increased effective January 1, 1966 to 7.95%, which includes 0.35% for medicare, and the maximum compensation base was increased from $450 to $550 per month.

The Railroad paid Federal taxes of $3,767,296 for employes' unemployment, sickness, and maternity benefits under the Railroad Unemployment Insurance Act. These taxes in 1964 amounted to $3,848,866, a decrease in 1965 of $81,570, or 2.12%, due to fewer employes during the year. Unemployment insurance tax rate and base remained unchanged.

The Relief Department paid employes and their beneficiaries $819,926 for disability and death claims, compared with similar payments of $823,872 in 1964, a decrease of $3,946 or 0.48%.

SAFETY DEPARTMENT

The activities of the Safety Department have been intensified and expanded following the appointment of a General Superintendent of Safety & Rules and four Safety Supervisors.

An aggressive campaign is being conducted to deliver the safety concept to employes in an attempt to improve the safety record.

MERGER

The proposed merger of Burlington, Great Northern, Northern Pacific, and Spokane, Portland and Seattle railways continued to make progress in 1965. In June the applicants, as well as other interested parties, presented oral arguments to the Interstate Commerce Commission, and the decision of the Commission in the matter is now expected shortly.

In order to help provide a smooth transition to merged operations if the merger is approved, agreement has been reached with the American Train Dispatchers Assn., the Brotherhood of Locomotive Engineers, and the Brotherhood of Railroad Trainmen, covering the method of unifying operations and providing protection for employes who may be adversely affected by the merger.

Modern highway equipment of subsidiary Burlington Truck Lines departs from Cicero Terminal on a night run.

BURLINGTON TRUCK LINES, INC.

Burlington Truck Lines, Inc., a wholly-owned subsidiary, modernized terminal and line-haul facilities during 1965. BTL performs common carrier motor freight service over more than 10,000 highway miles in eight states. It also handled selected shipments in highway service substituted for rail and performed numerous terminal services for the parent company during 1965.

A new $500,000 truck terminal will be opened at St. Louis, Missouri, early in 1966. Purchases of freight handling equipment included 215 line-haul cargo cages to reduce handling of LTL shipments, and 1,195 four-wheel platform trucks to replace less efficient equipment at ten major stations. Fifty-three new highway tractors were ordered during the year. In order to take full advantage of more liberal size and weight laws recently enacted by several states, forty-four double bottom trailers have been built at the Galesburg shop and fifty additional units are on order.

Total operating revenues increased from $16,311,838 in 1964 to $16,642,902 in 1965. Average freight revenue per ton increased from $26.43 to $27.11, with increases also in the average load and average length of haul, while the year's operations showed a deficit of $816,562 with an operating ratio of 104.35 percent.

CHANGES IN ORGANIZATION

The following system officers retired under the pension rules:

Mr. H. C. Murphy, *President*,
September 30, 1965, after more than 51 years of service.

Mr. E. L. Potarf, *Vice President-Operating Department*,
November 30, 1965, after more than 47 years of service.

Elections during the year:

Mr. L. W. Menk, *President*,
October 1, 1965.

Mr. I. C. Ethington, *Vice President, Operating Department*,
December 1, 1965.

Appointments during the year:

Mr. S. Pentek, *General Purchasing Agent*,
February 1, 1965.

Mr. L. G. Key, *General Land Agent*,
March 1, 1965.

Mr. L. J. Meyer, *Senior Assistant Comptroller*,
March 1, 1965.

Mr. C. E. Hungerford, Jr., *Industrial Engineer*,
October 25, 1965.

Mr. J. A. Gillen, *General Solicitor*,
December 1, 1965.

Mr. T. G. Schuster, *General Attorney*,
December 1, 1965.

The Company records with deep regret the loss by death of—

Mr. Kenneth F. Burgess, who had been a Director and member of the Executive Committee since 1955, on May 24, 1965.

Mr. Ellsworth Moser, who had been a Director since 1949, on November 25, 1965.

The Company acknowledges, with sincere appreciation, the loyalty and efficient services of officers and employes.

By order of the Board of Directors.

L. W. MENK, President

CHICAGO, BURLINGTON &

BALANCE

Assets *December 31, 1965 & 1964*

	1965	1964
CURRENT ASSETS:		
Cash and temporary investments	$ 38,759,092	$ 50,856,208
Accounts receivable	32,204,869	32,248,182
Material and supplies, at cost	19,833,257	18,664,626
Other current assets	649,777	811,617
	91,446,995	102,580,633
SPECIAL FUNDS AND INVESTMENTS:		
Capital and other funds	11,074,418	12,687,597
Investments in affiliated companies, at cost (page 34)	45,678,732	43,860,770
Other investments	148,949	215,128
	56,902,099	56,763,495
PROPERTIES (Note 2):		
Road and equipment	1,023,057,867	993,185,183
Less—Accumulated depreciation and amortization	308,236,797	297,848,170
	714,821,070	695,337,013
Nonoperating property	13,439,911	11,955,078
	728,260,981	707,292,091
OTHER ASSETS AND DEFERRED CHARGES	7,764,472	6,749,979
	$884,374,547	$873,386,198

QUINCY RAILROAD COMPANY

SHEET

Liabilities & Shareholders' Equity

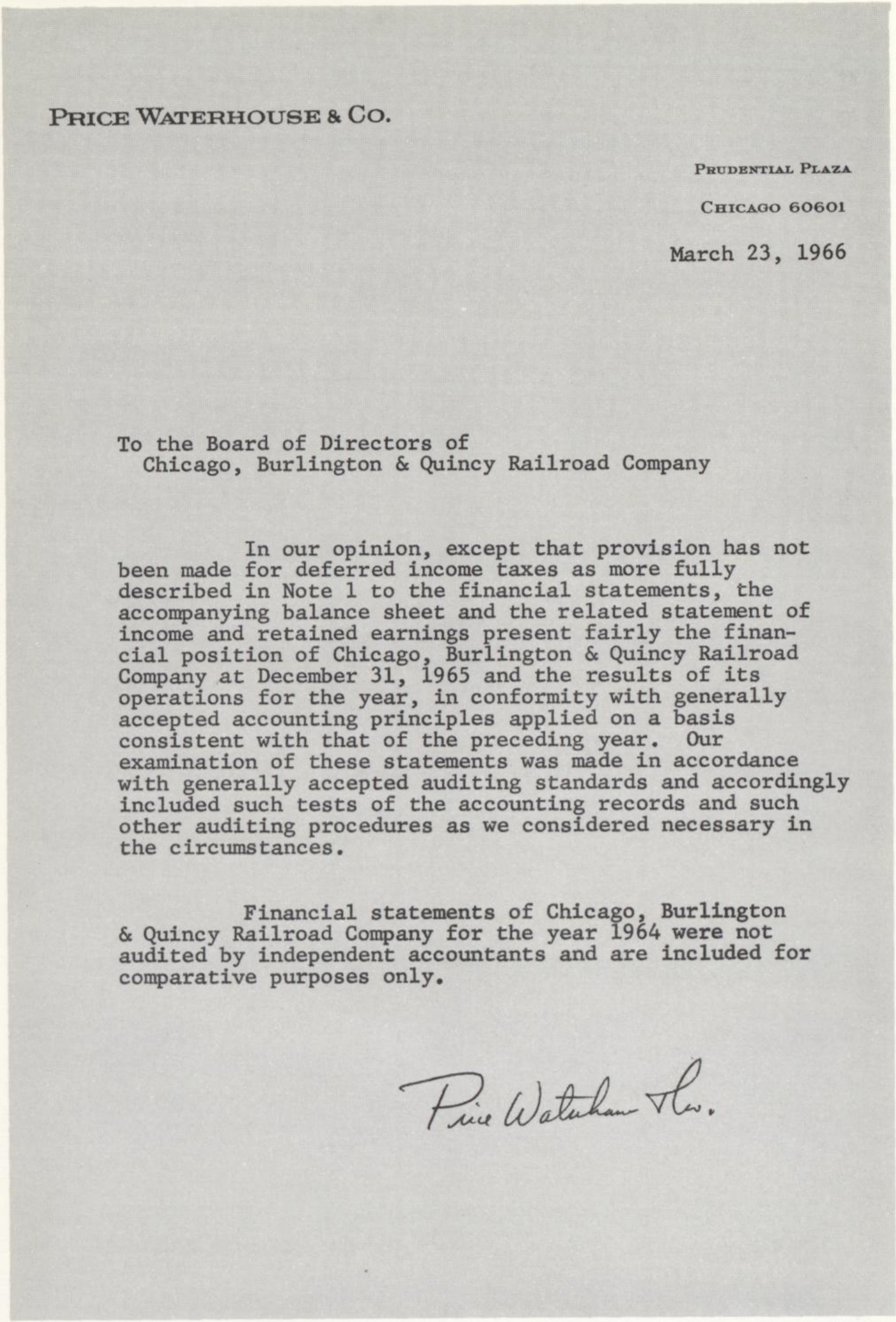
	1965	1964
CURRENT LIABILITIES:		
Accounts and wages payable	$ 28,960,446	$ 32,912,002
Accrued interest	3,023,242	2,864,015
Taxes, other than federal income tax	8,230,488	8,202,339
Federal income taxes	440,000	1,028,360
Other current liabilities	5,716,452	6,832,615
	46,370,628	51,839,331
Bonds and equipment obligations due within one year (page 35)	15,352,455	13,925,204
Total current liabilities	61,723,083	65,764,535
LONG-TERM DEBT:		
Bonds and equipment obligations due after one year (page 35)	225,689,345	214,724,128
RESERVES AND OTHER LIABILITIES (Note 1 & 4):		
Insurance and casualty reserves	4,759,683	4,056,039
Other liabilities	2,253,464	1,502,709
	7,013,147	5,558,748
SHAREHOLDERS' EQUITY:		
Common stock, $100 par value, authorized and outstanding 1,708,391 shares	170,839,100	170,839,100
Retained earnings (Note 1) (Page 30)	419,109,872	416,499,687
	589,948,972	587,338,787
	$884,374,547	$873,386,198

See Page 32 for notes to financial statements

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Comparative Statement of Income and Retained Earnings

	Years ended December 31, 1965	1964
RAILWAY OPERATING REVENUES:		
Freight	$222,078,949	$219,037,355
Passenger	20,781,498	20,796,592
Mail	13,547,200	13,604,258
Express	3,473,687	3,660,114
Other	10,572,042	10,281,210
	270,453,376	267,379,529
RAILWAY OPERATING EXPENSES (Note 3):		
Maintenance of way and structures	36,562,337	37,088,153
Maintenance of equipment	51,474,865	49,935,212
Traffic	8,675,969	8,245,247
Transportation	111,132,726	108,101,226
Miscellaneous operations	3,173,819	3,054,919
General	10,813,289	10,833,862
	221,833,005	217,258,619
NET REVENUE FROM RAILWAY OPERATIONS	48,620,371	50,120,910
Taxes other than Federal Income	21,671,808	19,061,303
Rentals for equipment and facilities, Net Dr.	5,182,141	4,916,116
NET RAILWAY OPERATING INCOME	21,766,422	26,143,491
OTHER INCOME:		
Dividends and interest	1,956,779	2,285,266
Miscellaneous	3,062,907	2,634,093
	26,786,108	31,062,850
OTHER DEDUCTIONS:		
Interest and fixed charges	8,299,224	7,879,006
Miscellaneous	451,174	685,229
	8,750,398	8,564,235
Net Income Before Income Taxes	18,035,710	22,498,615
Provision for Federal Income Taxes	1,342,620	2,143,273
NET INCOME—In conformity with I.C.C. accounting rules (Note 1)	16,693,090	20,355,342
RETAINED EARNINGS:		
Balance at beginning of year	416,499,687	408,957,248
	433,192,777	429,312,590
Dividends—$7.50 per share	12,812,902	12,812,903
Adjustment for prior years' deficiencies in casualty and other reserves	1,270,003	—
Balance at end of year	$419,109,872	$416,499,687



PRICE WATERHOUSE & CO.

PRUDENTIAL PLAZA
CHICAGO 60601

March 23, 1966

To the Board of Directors of
Chicago, Burlington & Quincy Railroad Company

In our opinion, except that provision has not been made for deferred income taxes as more fully described in Note 1 to the financial statements, the accompanying balance sheet and the related statement of income and retained earnings present fairly the financial position of Chicago, Burlington & Quincy Railroad Company at December 31, 1965 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Financial statements of Chicago, Burlington & Quincy Railroad Company for the year 1964 were not audited by independent accountants and are included for comparative purposes only.

Price Waterhouse & Co.

Notes to Financial Statements

NOTE 1: The Company maintains its books of account in accordance with principles and methods of accounting prescribed or authorized by the Interstate Commerce Commission and the accompanying statements have been prepared in conformity thereto.

The statements vary from generally accepted accounting principles because deferred income taxes have not been provided for the net excess of amortization and accelerated and guideline depreciation over the normal depreciation prescribed by the I.C.C.

The adjustment necessary to present net income in conformity with generally accepted accounting principles would be:

	1965	1964
Net income in conformity with I.C.C. principles as set forth in the Income Account	$ 16,693,090	$ 20,355,342
Adjustments for estimated income tax effect of—		
Amortization of defense facilities	1,722,659	1,798,547
Accelerated and guideline depreciation	(8,516,263)	(9,237,122)
Net Income stated in conformity with generally accepted accounting principles	$ 9,899,486	$ 12,916,767

The accumulated income tax effect at December 31, 1965, not reflected in the accompanying balance sheet, is estimated to be $67,500,000, based on current rates.

NOTE 2: Gross properties are stated at estimated original cost as determined by the Interstate Commerce Commission as of June 30, 1917, plus cost of additions and betterments and less retirements since that date.

NOTE 3: The current cost of replacement of track structure is charged to maintenance expense and additions and betterments to the structure are capitalized in the property accounts. Charges to operating expense for depreciation of road and equipment and for replacement of the track structure were as follows:

	1965	1964
Depreciation	$ 21,772,355	$ 20,684,376
Replacements	11,239,515	13,750,410
	$ 33,011,870	$ 34,434,786

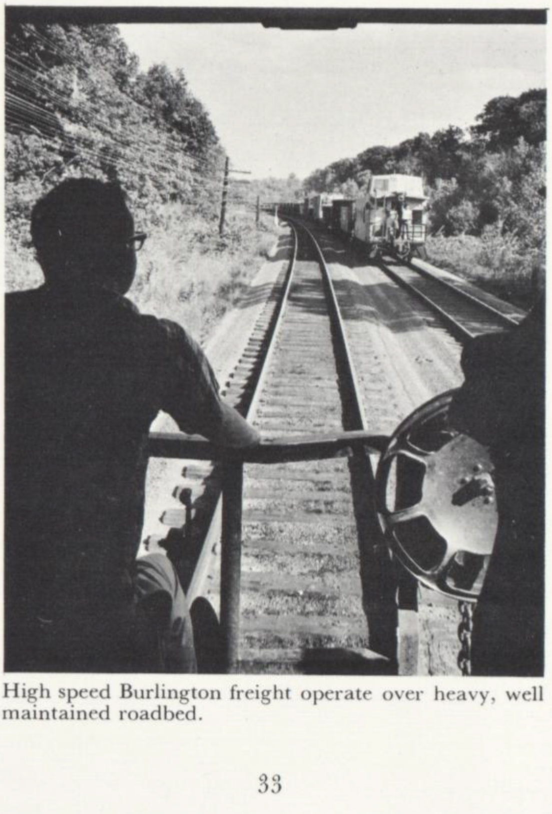
NOTE 4: The Company has guaranteed, jointly with others, certain obligations issued by affiliated companies. At December 31, 1965, the total amount of obligations so guaranteed was $270,491,643 and the Company's contingent liability under such guaranties, assuming no default by the co-guarantors, was $31,532,323.

Under the Service Interruption Policy which insures the Company against work stoppage losses, additional premiums, subject to a maximum premium of $3,962,680, may be charged to the Company in the event such losses are sustained by other railroads holding similar policies.

Changes in Working Capital

January 1 to December 31, 1965

Balance at beginning of year		$ 50,741,302
Sources of Working Capital:		
Net income	$ 16,693,090	
Depreciation and other non-cash income items	22,037,539	
Sale of property, investments, and other assets	2,158,932	
Proceeds from equipment financing	28,843,748	
Capital & other reserve funds	2,039,611	71,772,920
		$122,514,222
Application of Working Capital:		
Investment in affiliated companies	$ 1,817,962	
Additions and betterments to property and equipment	46,097,973	
Reduction of debt	16,451,280	
Dividends paid on capital stock	12,812,902	
Other—net	257,738	77,437,855
Balance at December 31, 1965		$ 45,076,367



High speed Burlington freight operate over heavy, well maintained roadbed.

Investments in Affiliated Companies

December 31, 1965

		Investment in			
	Percent of ownership	Stock	Bonds, notes and advances	Total	Dividend and interest income 1965
SUBSIDIARY COMPANIES:					
Burlington Equipment Company	100.00	$ 5,000	$ 500,000	$ 505,000	$ —
Burlington Refrigerator Express Company	100.00	100,000	—	100,000	—
Burlington Truck Lines, Inc.	100.00	750,000	405,267	1,155,267	—
Colorado and Southern Railway Company, The	74.72	22,172,276	320,834	22,493,110	383,014
Missouri and Illinois Bridge and Belt Railroad Company	100.00	366,084	405,000	771,084	16,200
St. Louis and Kansas City Land Company	100.00	100,000	5,588,100	5,688,100	—
Winona Bridge Railway Company	66.67	300	—	300	—
Total, at cost (equity in underlying net assets $57,127,321)		$23,493,660	$ 7,219,201	$30,712,861	$399,214
AFFILIATED COMPANIES:					
Atchison Union Depot and Railroad Company	37.50	27,000	7,972	34,972	—
Belt Railway Company of Chicago, The	8.33	240,000	247,042	487,042	83,342
Chicago Union Station Company	25.00	—	5,254,119	5,254,119	—
Davenport, Rock Island and North Western Railway Company, The	50.00	1,748,182	1,198,150	2,946,332	—
Denver Market & Produce Terminal, Inc.	20.00	50,000	238,134	288,134	—
Denver Union Terminal Railway Company, The	16.67	5,000	765,619	770,619	—
Illinois Northern Railway	25.00	250,940	—	250,940	—
Illinois Terminal Railroad Company	9.09	1,818	—	1,818	—
Iowa Transfer Railway Company	20.00	16,100	—	16,100	—
Kansas City Terminal Railway Company	8.33	100,000	999,560	1,099,560	—
Keokuk Union Depot Company	40.00	8,024	3,972	11,996	—
Minnesota Transfer Railway Company	11.11	91,300	286,615	377,915	3,048
Packers Car Line Company	19.18	6,140	—	6,140	—
Paducah & Illinois Railroad Company	33.33	3,333	1,674,640	1,677,973	75,956
Pullman Company	2.42	534,048	—	534,048	8,836
Railway Express Agency Inc.	2.80	2,700	780,719	783,419	39,036
Saint Paul Union Depot Company, The	12.50	130,475	219,045	349,520	8,287
Terminal Railroad Association of St. Louis	6.25	—	—	—	—
Trailer Train Company	2.44	50,000	25,224	75,224	917
Total		$26,758,720	$18,920,012	$45,678,732	$618,636

Long-Term Debt December 31, 1965

Name and Character of Obligation	Interest Rate %	Maturity Date	Outstanding with Public	Held in Treasury Unpledged
FIRST AND REFUNDING MORTGAGE BONDS				
Series of 1970	4.5	1970	$ —	$10,140,000
Series of 1970	2.875	1970	(a) 43,454,000	944,000
Series of 1978	4.375	1978	(b) 20,181,000	280,000
Series of 1985	3.125	1985	(c) 30,855,000	2,319,000
Series of 1990	3	1990	(d) 20,576,000	176,000
Series of 1998	4	1998	—	19,729,000
Total Bonds			$115,066,000	$33,588,000
EQUIPMENT OBLIGATIONS				
Equipment Trust Certificates		Serially to		
1953 No. 1	3.25	1968	$ 1,175,000	
1953 No. 2	2.875	1968	1,080,000	
1954 No. 1	2.625	1969	1,960,000	
1954 No. 2	2.625	1969	1,280,000	
1955 No. 1	2.875	1970	2,900,000	
1955 No. 2	3.125	1970	1,450,000	
1956 No. 1	3.125	1971	2,860,000	
1956 No. 2	3.875	1971	1,440,000	
1957	3.75	1972	3,250,000	
1958 No. 1	3.5	1973	2,250,000	
1958 No. 2	3.5	1973	2,400,000	
1958 No. 3	3.375	1973	3,280,000	
1959 No. 1	4.375	1974	2,380,000	
1959 No. 2	4.625	1974	4,230,000	
1959 No. 3	5	1974	1,890,000	
1960	4.625	1975	1,700,000	
1961 No. 1	4.25	1976	5,985,000	
1961 No. 2	4.125	1976	3,360,000	
1961 No. 3	4.125	1976	1,760,000	
1962 No. 1	4.375	1977	4,945,000	
1962 No. 2	4	1977	2,415,000	
1963 No. 1	4	1978	5,250,000	
1963 No. 2	3.875	1978	4,500,000	
1963 No. 3	4	1978	4,550,000	
1963 No. 4	4.125	1978	4,420,000	
1964 No. 1	4.125	1979	6,480,000	
1964 No. 2	4.125	1979	5,400,000	
1964 No. 3	4.25	1979	6,440,000	
1964 No. 4	4.125	1979	4,480,000	
1965 No. 1	4.125	1980	5,510,000	
1965 No. 2	4.375	1980	6,150,000	
1965 No. 3	4.5	1980	8,100,000	
Conditional Payment Contracts				
The Northern Trust Co.	4.5	1967	389,037	
The Northern Trust Co.	4.5	1969	629,000	
The Northern Trust Co.	4.5	1975	7,194,158	
First National Bank	4.5	1973	1,081,397	
Morgan Guaranty Trust Co.	3.375	1967	1,412,208	
Total Equipment Obligations			$125,975,800	
TOTAL LONG-TERM DEBT			$241,041,800	$33,588,000

(a) Annual sinking fund $248,825. (b) Annual sinking fund $500,000.
(c) Annual sinking fund $325,000 together with an amount equal to 10% of dividends paid by the Company on its capital stock in the preceding calendar year. (d) Annual sinking fund $250,000.

Changes in Capital Liabilities in 1965

	Increase	Decrease
Bonds:		
First and Refunding 4⅜% Series of 1978		$ 262,000
First and Refunding 3⅛% Series of 1985		1,112,000
Principal of Equipment Obligations:		
Equipment Trust of 1950		340,000
Equipment Trust of 1953—No. 1		470,000
Equipment Trust of 1953—No. 2		360,000
Equipment Trust of 1954—No. 1		480,000
Equipment Trust of 1954—No. 2		320,000
Equipment Trust of 1955—No. 1		580,000
Equipment Trust of 1955—No. 2		290,000
Equipment Trust of 1956—No. 1		520,000
Equipment Trust of 1956—No. 2		240,000
Equipment Trust of 1957—No. 1		500 000
Equipment Trust of 1958—No. 1		300,000
Equipment Trust of 1958—No. 2		320,000
Equipment Trust of 1958—No. 3		410,000
Equipment Trust of 1959—No. 1		280,000
Equipment Trust of 1959—No. 2		470,000
Equipment Trust of 1959—No. 3		210,000
Equipment Trust of 1960—No. 1		170,000
Equipment Trust of 1961—No. 1		570,000
Equipment Trust of 1961—No. 2		320,000
Equipment Trust of 1961—No. 3		160,000
Equipment Trust of 1962—No. 1		430,000
Equipment Trust of 1962—No. 2		210,000
Equipment Trust of 1963—No. 1		420,000
Equipment Trust of 1963—No. 2		360,000
Equipment Trust of 1963—No. 3		350,000
Equipment Trust of 1963—No. 4		340,000
Equipment Trust of 1964—No. 1		480,000
Equipment Trust of 1964—No. 2		400,000
Equipment Trust of 1964—No. 3		460,000
Equipment Trust of 1964—No. 4		320,000
Equipment Trust of 1965—No. 1		190,000
Equipment Conditional Sale Contracts		3,718,728
Equipment Trust of 1965—No. 1	$ 5,700,000	
Equipment Trust of 1965—No. 2	6,150,000	
Equipment Trust of 1965—No. 3	8,100,000	
Equipment Conditional Sale Contracts	8,893,748	
	$28,843,748	$16,362,728
Net Increase	$12,481,020	

First and Refunding Mortgage

The First and Refunding Mortgage is a first lien on 7824.93 miles of main and branch line railroad now owned by the Company, including terminals and appurtenant property, situated in the States of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana; is a first lien on all locomotives, cars and other rolling stock and equipment owned by the Company and not subject to any equipment trust or conditional sale agreement securing the purchase price thereof; and also is a first lien on 358,563 shares of capital stock of The Colorado and Southern Railway Company, which are pledged under this Mortgage.

Additional First and Refunding Mortgage Bonds may be issued, subject to the provisions and limitations of the Mortgage and the Supplemental Indentures thereto.

Provisions for the redemption of each series of First and Refunding Mortgage Bonds, and the sinking funds are summarized as follows:

Series of 1970 2⅞% Bonds may be redeemed as a whole, or in part, on any interest date at 101 August 1, 1965 to July 31, 1969, after which date they are callable at par; in each instance with accrued interest.

An annual sinking fund of $248,825 for redemption of Series of 1970 2⅞% Bonds is payable to the Trustee on or before May 1 each year. For such redemption, prices are 100½ August 1, 1965 to July 31, 1969, and thereafter at par; in each instance with accrued interest.

Series of 1978 4⅜% Bonds may be redeemed as a whole, or in part, on any interest date at 104.40 February 1, 1965 to January 31, 1966; 104 February 1, 1966 to January 31, 1967; thereafter the premium reduces periodically to January 31, 1976; after which date they are callable at par; in each instance with accrued interest.

An annual sinking fund of $500,000 for redemption of Series of 1978 4⅜% Bonds is payable to the Trustee on or before November 1 each year. For such redemption, prices are 102.20 February 1, 1965 to January 31, 1966; 102 February 1, 1966 to January 1, 1967; reduced periodically to January 31, 1976, and thereafter at par; in each instance with accrued interest.

Series of 1985 3⅛% Bonds may be redeemed as a whole, or in part, on any interest date at 102¾ August 1, 1965 to July 31, 1969; thereafter the premium reduces periodically to August 1, 1982, after which date they are callable at par; in each instance with accrued interest.

An annual sinking fund of $325,000, together with an amount equal to 10% of dividends paid by the Company on its capital stock in the preceding calendar year, is payable to the Trustee on or before May 1 in each year for redemption of the Series of 1985 Bonds. Redemption prices are 101¼ August 1, 1965 to July 31, 1969; reduced periodically to August 1, 1982, and thereafter at par; in each instance with accrued interest.

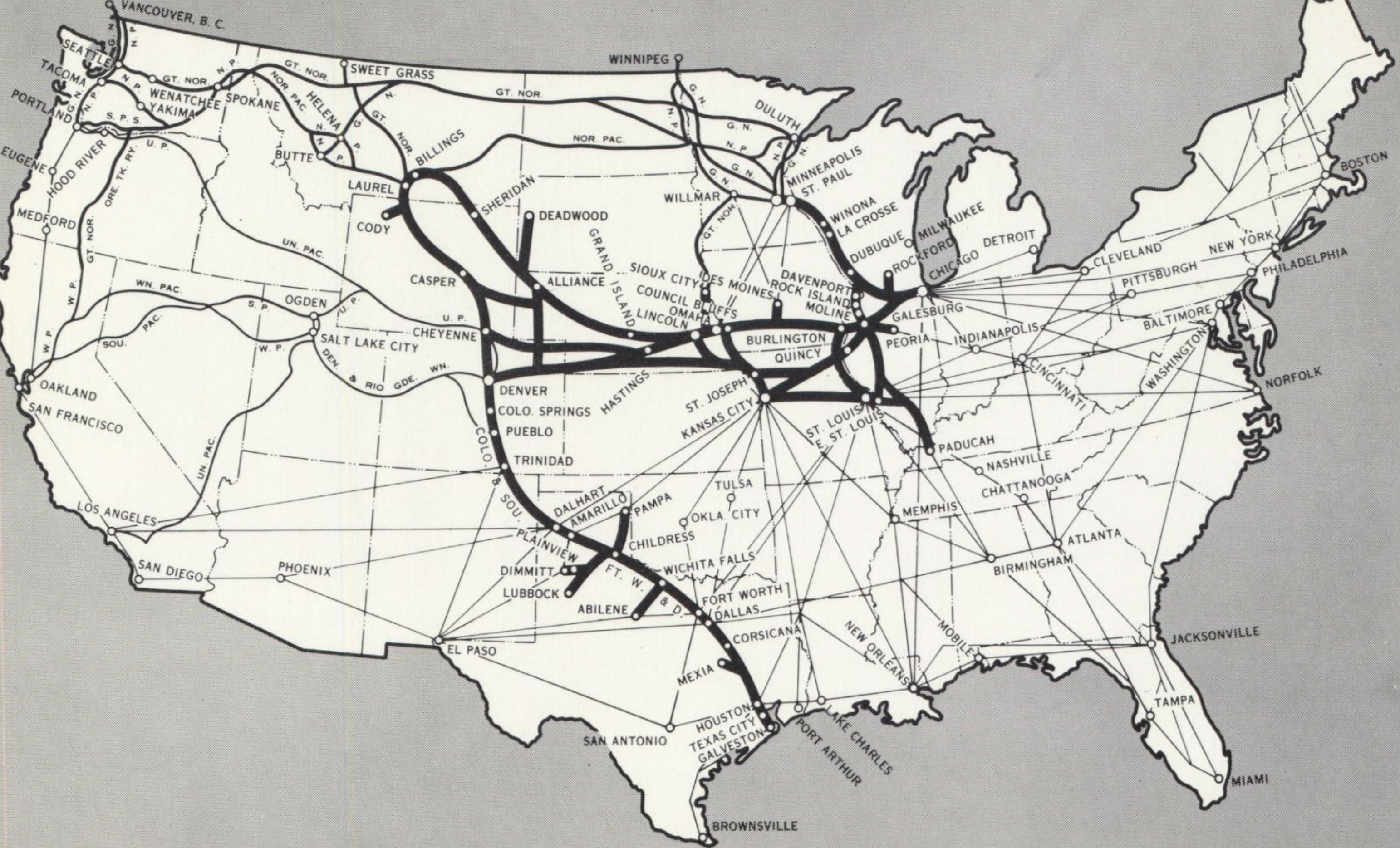
Series of 1990 3% Bonds may be redeemed as a whole, or in part, on any interest date at 102¾ February 1, 1962 to January 31, 1966; 102⅝ February 1, 1966 to January 31, 1970; thereafter the premium reduces periodically to January 31, 1989, after which date they are callable at par; in each instance with accrued interest.

An annual sinking fund of $250,000 for redemption of Series of 1990 3% Bonds is payable to the Trustee on or before November 1 each year. For such redemption, prices are 100¾ February 1, 1962 to January 31, 1966; 100⅝ February 1, 1966 to January 31, 1970; reduced periodically to January 31, 1989, and thereafter at par; in each instance with accrued interest.

Mileage

	Miles of Road	Second Track	Third Track	Fourth Track	Yard Track and Sidings*	Total
Owned:						
Colorado	392.57	.52			174.11	567.20
Illinois	1,503.94	295.75	40.95	4.75	996.98	2,842.37
Iowa	880.77	248.94			269.64	1,399.35
Kansas	199.87				22.03	221.90
Minnesota	23.09	2.71			38.69	64.49
Missouri	1,091.39	12.74			432.56	1,536.69
Montana	134.50				46.01	180.51
Nebraska	2,636.37	29.32			769.13	3,434.82
South Dakota	183.52				28.17	211.69
Wisconsin	220.25	209.89			60.49	490.63
Wyoming	677.55				197.87	875.42
Total*	7,943.82	799.87	40.95	4.75	3,035.68	11,825.07
Operated under lease or contract	601.30	130.75	.76	.76	453.44	1,187.01
Grand Total*	8,545.12	930.62	41.71	5.51	3,489.12	13,012.08

*Includes yard tracks and sidings owned but not operated as follows: Illinois .64 mile, Iowa .71 mile, Nebraska .30 mile, total 1.65 miles.


VANCOUVER, B. C.
G. N.
N. P.
SEATTLE
TACOMA
PORTLAND
GT. NOR.
N. P.
G. N.
N. P.
WENATCHEE
YAKIMA
S. P. S.
SPOKANE
GT. NOR.
NOR. PAC.
HELENA
N. P.
SWEET GRASS
G. N.
GT. NOR.
BUTTE
N. P.
GT. NOR.
NOR. PAC.
BILLINGS
LAUREL
CODY
SHERIDAN
DEADWOOD
EUGENE
HOOD RIVER
U. P.
ORE. TK. RY.
MEDFORD
GT. NOR.
UN. PAC.
W. P.
WN. PAC.
S. P.
OGDEN
U. P.
SOU. PAC.
W. P.
SALT LAKE CITY
DEN. & RIO GDE. WN.
CASPER
ALLIANCE
U. P.
CHEYENNE
DENVER
COLO. SPRINGS
PUEBLO
TRINIDAD
COLO. & SOU.
OAKLAND
SAN FRANCISCO
UN. PAC.
LOS ANGELES
SAN DIEGO
PHOENIX
EL PASO
GRAND ISLAND
LINCOLN
HASTINGS
WINNIPEG
G. N.
N. P.
DULUTH
G. N.
N. P.
G. N.
N. P.
G. N.
WILLMAR
GT. NOR.
MINNEAPOLIS
ST. PAUL
WINONA
LA CROSSE
DUBUQUE
MILWAUKEE
ROCKFORD
CHICAGO
DETROIT
SIOUX CITY
DES MOINES
COUNCIL BLUFFS
OMAHA
DAVENPORT
ROCK ISLAND
MOLINE
GALESBURG
BURLINGTON
QUINCY
PEORIA
ST. JOSEPH
KANSAS CITY
ST. LOUIS
E. ST. LOUIS
PADUCAH
INDIANAPOLIS
CINCINNATI
NASHVILLE
CHATTANOOGA
MEMPHIS
ATLANTA
BIRMINGHAM
TULSA
OKLA. CITY
DALHART
AMARILLO
PAMPA
CHILDRESS
PLAINVIEW
DIMMITT
LUBBOCK
FT. W. & D.
WICHITA FALLS
FORT WORTH
DALLAS
ABILENE
CORSICANA
MEXIA
HOUSTON
TEXAS CITY
GALVESTON
SAN ANTONIO
BROWNSVILLE
PORT ARTHUR
LAKE CHARLES
NEW ORLEANS
MOBILE
JACKSONVILLE
TAMPA
MIAMI
CLEVELAND
PITTSBURGH
NEW YORK
PHILADELPHIA
BALTIMORE
WASHINGTON
NORFOLK
BOSTON

CONTENTS

Highlights 1

Directors and Officers 2

Capital Expenditures 3, 16-22

Charts 5

Freight: 4-13

  Traffic 4

  Rates 6

  Agriculture 7

  Multi-level 8

  Perishable 8

  Industrial 9-11

  Car Shortage 12-13

Passenger 14-15

Operations 16

Debt 23, 35-37

Dividends 23

Taxes 23

Labor 24

Employe Benefits 25

Safety Program 25

Merger 25

Burlington Truck Lines, Inc. 26

Organization Changes 27

Balance Sheet 28, 29

Net Income and Retained Earnings 30

Notes to Financial Statements 32

Changes in Working Capital 33

Investments in Affiliated Companies 34

Mileage 37

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Burlington
Route